

INTRODUCTION AND SCOPE

The Office of the County Auditor has performed a review of the grant funds administered by the Department of Fire and Rescue Services. The purpose of this review was to determine what internal controls, operational policies, and procedures, are in place for this area. We reviewed selected grants in fiscal years 2003 and 2004.

BACKGROUND

The Department of Fire and Rescue Services is under the County Executive and is funded by the Metropolitan and Rural fire and rescue tax. This is a separate funding source from the General Fund taxing authority. The total budget for FY 2005 for the entire department was \$43.5 million of which \$3,250,000 was budgeted for grants. Since the terrorism attack on September 11th, 2001, grants in this Department have steadily increased from the FY 2001 approved grant budget of \$425,000.

Administration of the Grants is under two organizations within the Department: Administration and Emergency Management. Administration provides overall administration, management and coordination of activities to the Department and is responsible for administering the Section 508 Equipment Grant. This grant is funded by the State of Maryland, Department of Public Safety and Correctional Services. Funds received are forwarded to the Howard County Volunteer Fireman's Association for distribution to its member companies. As a condition of this grant, the County must provide an independent review of expenditures of the grant. This review is performed by the County Auditor's office annually and certified to the State of Maryland. In FY 2003, the County received \$377,192 for fire protection, rescue and ambulance services from this grant. Budgets for FY 2004 and 2005 are expected to provide about the same amount from this grant.

Our annual reviews found that this grant was being administered within the guidelines of the grant requirements and any recommendations were implemented.

Emergency Management is responsible for preparation, implementation and accounting for the other grants that the Fire Department receives. In addition, Emergency Management is responsible for administering any disasters that relate to Howard County. The Battalion Chief either applies for known grants or is contacted by the source Grantor that funds may be

available. An assistant keeps the records and files and forwards them to the Administrative Analyst for approval as needed. The Terrorism Training and All Hazards Grant have been the responsibility of the Emergency Management area. The new Fire Act Grant has been the responsibility of the Administration area. We noted deficiencies in these grants including (1) all grants were not accounted for in the grant budget, (2) an error in a Grant Title and County matching requirement had occurred. (3) Grant authority for one grant was used for a new grant and (4) grants were put into a Multifarious Fund, which circumvents the grant process. We will address these and other findings below.

FINDINGS & RECOMMENDATIONS

The Department of Fire and Rescue Services receives grants from the Federal Government, State Government and local contributions. Fire and Rescue Services is considered the administrator for these grants and are responsible for their accounting. The County's Office of Budget, the Department of Finance and Office of Purchasing participate in their respective roles during budget preparation and the recording of grant activity and in the procurement of goods and services. A listing of all these grants is presented in Attachment 1.

A Memorandum of Agreement (MOA) between the Howard County Department of Fire and Rescue Services and the Grantor presents the requirements of a grant including description, performance period, award amount, accounting requirements of funds, etc. The primary Agency (Maryland Emergency Management Agency, MEMA) that distributes the grants to the Subgrantee (Howard County) requires that, "All expenditure, revenue, asset and liability transactions associated with the agreement will be accounted for separately from other projects and programs." We found that several grants, including the Superfund Amendments and Reauthorization Act (SARA), Hazardous Material Emergency Preparedness (HMEP), and the Federal Emergency Management Agency (FEMA) Pre-Disaster Mitigation Program (PDM) Agency Multifarious Fund, were being accounted for with other donations in the Agency's Trust Fund #615, rather than the Agency's Grant Fund, 051. It was difficult to determine which revenues and expenditures are associated with individual grant activity. Within the Grant fund a separate organization should be used to keep the Grant revenues and expenditures segregated as required by the Memorandum of Agreement (MOA.) The proper procedure to establish Grants received during the budget cycle is to transfer authority from the 051 Grants contingency

account and account for the expenditures and revenues from the new budget account. In addition, the current presentation could prevent a grant from being included in the annual audit of Federal Funds received by the County. The County contracts an external audit firm to examine Federal grants funds and the sampling universe is based on the 051 Grant account population. If the grants are not included in the 051 account, they may not be included in the County's Single Audit and would not be reported properly to the Federal Government. We therefore recommend that; in order to

1. Separate grant accounts be established for each grant to meet the guidelines of the grant agreements, provide for better accounting and to facilitate the collection of Single Audit data.

Administration's Response:

The Administration concurs with this recommendation. The Department of Fire and Rescue, Office of Emergency Management is working with the Department of Finance to establish separate grant accounts for each grant and to provide for better accounting.

2. Grants received not be placed in the Multifarious Fund, but be included in the Grants Fund after receiving the required authority from the Grants contingency transfer.

Administration's Response:

The Administration concurs with this recommendation. Changes being made (as described in the response to Recommendation #1) will eliminate this from occurring in the future.

Another Grant requirement is that grant monies be used to supplement, not supplant funds that have been appropriated or budgeted for the same purpose. It is difficult to make that determination when the agency is performing normal job functions that closely resemble the grant criteria. A separate document, along with supporting documentation, stating how the funds were used to supplement the programs and maintained with the Grant history would provide evidence if these grants are audited.

In addition, although a County contribution of cash was generally not required, some in-kind matching was required. It appeared that Personnel wages would easily provide this match,

however, conclusive documentation was not always available to substantiate that expense. We therefore recommend that:

3. **Documentation be retained that verifies how the grant funding was used to supplement the existing budget and that any in-kind match be documented and retained with the grant.**

Administration's Response:

The Administration concurs with this recommendation and is taking steps to ensure that accurate records are kept regarding grants and any in-kind matches.

We also determined that a grant budget category that is being used is not titled correctly and also has the incorrect funding and an incorrect County match requirement. The County's Budget Document for the years FY 2003, 2004 and 2005 includes a Grant called the Fire Act Grant 2002. This grant was applied for by the County in FY 2002 but was never awarded. As part of the original application a \$150,000 County match was required and was shown in the budget. Although the County did not receive this grant in FY 2002, the budgeting of this authority continued in error. Subsequently, the budget authority established for the Fire Act Grant of 2002 was used for another grant, which never received budget approval or authority. This practice is against the County Charter requirement for budget appropriation for all expenditures. In addition, the new grant had no match requirement, but the \$150,000 continued to be budgeted in FY 2003, 2004 and 2005. In FY 2003 the match was not transferred from the Fire 460 fund. Since the \$150,000 match was not authorized, not transferring it was correct. However, in FY 2004, the \$150,000 was transferred from Fund 460 to the Grant account although it did not relate to that grant. Since it was budgeted and transferred in error, this money should be transferred back to Fund 460. We therefore recommend that:

4. **An adjustment be prepared that transfers \$150,000 from the 051 Fire Grant account to the Fire 460 Fund.**

Administration's Response:

The Administration concurs with this recommendation and this adjustment has been made.

5. The Fire Act Grant 2002 Title be deleted and the Grant which replaced it be authorized in the correct grant amount.

Administration's Response:

The Administration concurs with this recommendation and the Department of Fire and Rescue, Office of Emergency Management is working with the Office of Budget to make this change.

6. All grants received in the future be processed through the Charter required authorization process.

Administration's Response:

The Administration concurs with this recommendation and the Department of Fire and Rescue will comply with the authorization process as stated in the Charter.

In recent reviews of other County agencies receiving grants, several general recommendations were made that will benefit this agency as well. These recommendations were accepted and will be implemented in FY 2005. Two of these require the County to use a standardized software program and the creating of a position that will oversee Grants under the Department of Finance. This grants administrator will be a focal point for the individuals at each agency to work with and get the needed assistance to insure compliance and accuracy in some of the following areas:

- **Tracking of all Revenues and Expenditures by Grant**
- **Tracking Grants approved and awarded outside the County's Fiscal Year**
- **Accurate budgeting and transferring of matching funds**
- **Proper standardize accounting and document retention**
- **Maximizing the grant application process for available funding**
- **Coordinate with the various agencies to standardize processes and reporting**

We look forward to the implementation of these procedures County wide. We also recommend that:

7. *The Fire Department grant administrator work closely with the County's new Grant Committee and the Department of Finance's grant coordinator to insure compliance with all new County-supporting procedures as they are implemented.*

Administration's Response:

The Administration concurs with this recommendation. The Department of Fire and Rescue plans to send several grants managers from the department of training on the Financial Tracking System. Additionally, they will work with the grant committee and the new grant coordinator to make sure they understand and abide by the new policy.

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